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	Audit and Risk Committee (ARC) **Minute of Meeting** 8 August 2023 1030hrs Hybrid meeting (Meadowbank House, Edinburgh and Microsoft Teams)
Chair	Andrew Harvey, Audit and Risk Committee Chair
Present	Dónall Curtin, Audit and Risk Committee Member Christine Martin, Audit and Risk Committee Member – *(Chaired from item 10 onwards)* Julie Wardhaugh, Audit and Risk Committee Member Tim Wright, Audit and Risk Committee Member
In attendance	Chris Kerr, Accountable Officer Chief Finance Officer (HB) Head of Finance (EG) Head of Risk and Information Governance (AR) Head of Enterprise Risk Management (CI) Head of Information Governance (AK) Senior Internal Audit Manager, (SG DIAA) (KM) Internal Audit Manager, Scottish Government Department of Internal Audit and Assurance (SG DIAA) (JMcC) Associate Partner, Audit & Assurance, Deloitte (PK) *left after item 8* Assistant Manager, Audit & Assurance, Deloitte (PB) *left after item 8* Manager, Audit & Assurance, Deloitte (FM) *left after item 8* Communications Manager (RH) – *(item 7.1)* Chief Data Officer (AH) – *item 10.2* Keeper of the Registers of Scotland (JH) - *item 11*
Apologies	Senior Manager (KW), Deloitte
Secretariat	Senior Executive Assistant to the Corporate Director (JM)

1.   Introduction, apologies, and chair's matters

1.1   The Chair welcomed everyone to the meeting and noted the apologies received as above.

1.2   Permission was granted to record the meeting to assist with minute taking, subject to this being deleted once the minute is completed.

1.3   The Chair explained that, as he was joining the meeting by MS Teams, he had asked Chris Martin to assume the Chair in the event of connection problems. (Post meeting note: In the event, the Chair had some audio problems, hence Chris Martin chaired from item 10 onwards. The Chair remained present in the meeting throughout.)

2.   Declaration of interests

2.1.   No new declarations of interest were made.

3.   Minute of meetings and outstanding actions

3.1   The minute of the meeting held on 9 May 2023 was accepted as a true record of the discussions held.

3.2   The Committee reviewed the outstanding action log and agreed:

Action 5171 – Deep dive into Strategic Objective 1 was conducted on 28 July. Action closed.

Action 5866 – ARC Terms of Reference updated to include appropriate governance arrangement in the event the ARC Chair is absent from a meeting of the Committee. Action closed.

Action 5869 – NXD SharePoint site has been launched and feedback received from NXDs is under consideration. Action ongoing.

Action 6006 – Improvements to Assurance Framework ARC paper have been implemented following Committee feedback. Action closed.

Action 6007 – Confirmation received that the deep dive dates in Assurance Framework are correct as written. Action closed.

Action 6008 – Investigation into variation of rating reporting between the Moveable Transactions Project Health Check report and Internal Audit progress report has completed. The core change was related to Parliamentary timetables and Scottish Government continuity, both of which have been addressed. Action closed.

4.   Matters arising not covered on the agenda

4.1   No other matters were raised.

5.   Internal Audit

5.1.   **Audit & Risk Committee Progress Report 2023-24**

5.1.1   The Committee noted the Audit and Risk Committee Progress Report 2023-24.

5.2   **Annual Audit Plan Update 2023-24**

5.2.1   Internal audit colleagues provided an oral overview of the annual audit plan update key highlights. The planned Data: Strategy and Processing review for Q3/4 has been replaced by a Hybrid Working and Culture review after discussions with the Accountable Officer; this is expected to be presented to ARC for review in February

or May 2024. The Worker Remuneration and Performance Management reviews will be presented to ARC in November 2023.

5.2.2 The Committee considered the scope of the Hybrid Working and Culture review and heard that this will focus on RoS internal culture and testing methods will include staff surveys and workshops. Whilst the Committee welcomed this general approach, it considered that it would have expected the scope to be wider and include some external stakeholder engagement to provide a more holistic review. It was noted that Chris Martin will be the ARC lead for the Terms of Reference for this work and will reflect the Committee's view in her commentary, at that stage.

5.2.3 The Committee received assurance that nothing unexpected has arisen from any of the follow up reviews undertaken to date.

5.2.4 The Committee thanked internal audit colleagues for the helpful reports and looks forward to seeing the Worker Remuneration and Performance Management reviews in November.

6.   External audit

6.1.   Draft Letter of Representation 2022-23

6.1.1   The Committee noted the draft letter of representation 2022-23.

6.2   Draft Annual Audit Report 2022-23

6.2.1 Deloitte colleagues summarised the draft annual audit report 2022-23 key findings and conclusions and confirmed that, based on audit work completed to date, it is expected that an unmodified audit opinion will be reported to the RoS Board in September. RoS was congratulated on an excellent overall result, particularly in the first year of working together, and that auditors were impressed with strengths across the board. Thanks were extended to all involved.

6.2.2 The Committee was disappointed to note that two of the significant findings were raised after the audit close meeting and discussed the high-risk rating of recommendation 5 (privileged access to eFinancials) with audit colleagues. It was agreed that Deloitte and RoS finance colleagues would continue in dialogue on the evidence of mitigating controls with a view to considering revising the rating ahead of the September RoS Board meeting, if that were the conclusion that Deloitte reached. Furthermore, it was agreed that IT reviews in future audits must be conducted earlier in the audit process to avoid this situation recurring.

Action – RoS Finance and Deloitte to liaise around the evidence of mitigating controls on the high rated recommendation 5 with a view to considering Deloitte revising this risk rating in the final report to the September RoS Board meeting, if considered appropriate.

6.2.3 The Committee reflected on the medium rated recommendation 4 (eFinancials password parameters), and heard that the current eFinancials system predates the RoS password policy implementation. As this may also apply to other legacy systems,

the Accountable Officer agreed to review these to identify if there are other exceptions to the policy.

Action – Accountable Officer to review RoS legacy systems to identify where there are any exceptions to the RoS password policy.

6.2.4   The Committee discussed the definitions of what constitutes a low, medium or high risk finding and agreed it would be helpful for Deloitte colleagues to add a key with general definitions to the final audit report to the September Board and, also, in future audit reports. It was highlighted that the recommendations and ratings in this draft report had no impact on the overall report finding.

6.2.5   The Committee noted the reference to the 'Christie 10-years on' blog and the challenge therein to shift towards prevention and deliver long term outcomes for individuals and communities. It was suggested that whilst RoS performance reporting is very positive, some further focus on the KPIs to demonstrate achievement of key outcomes may be beneficial. The Committee noted that such demonstration was more challenging in the context of the Keeper's statutory duties as compared to some other public bodies.

6.2.6   The Committee was content to recommend to the Accountable Officer that the annual audit report be remitted to the September RoS Board, subject to ARC being briefed of any material changes following the outcome of ongoing discussions.

6.2.7   The Committee expressed its sincere thanks to everyone involved in this work and in particular to the finance team for its support during this very busy audit period.

7.   Annual Report and Accounts

7.1   Draft Annual Report and Accounts 2022-23

7.1.1   The Communications Manager joined the meeting to receive any further feedback on the latest draft of the Annual Report and Accounts 2022-23 and ask ARC to consider recommending this for final sign off at the September RoS Board meeting.

7.1.2   The Committee raised a minor point for consideration, however expressed its sincere thanks to communications and finance colleagues for the great work done on the report which reads very cohesively.

7.2   ARC endorsement of Annual Report and Accounts

7.2.1   The Committee agreed it was content to endorse the draft Annual Report and Accounts and recommend that the Accountable Officer remit to the September Board for final approval before signing, subject to final minor tweaks as discussed and any minor typographical errors that came to light subsequently.

8.   RoS Assurance Framework 2023-38

8.1   The Head of Information Governance introduced the RoS Assurance framework 2023-38 which provided an update on key risk and assurance activity,

including a summary of the outcome of the 2022-23 Certificates of Assurance (CoA) process. The deep dive schedule for 2023-24 is unchanged since the last review, however the September ARC check-in meeting date is currently under discussion and will be confirmed as soon as possible. It was noted that the Head of Information Governance will attend meetings going forward in place of the Enterprise Risk Manager, who will shortly leave RoS for a two-year secondment.

8.2   The Committee noted no change to key risk 8 route to target and discussed the assurance activities and maturity model approach to manage this risk. The Head of Risk and Information Governance suggested that ARC could conduct a further deep dive into information security should this be welcomed by the Committee and the Executive Management Team (EMT.)

8.3   The Committee noted the changed risk scoring of key risk 6 and received assurance on the reasons for this change which centred around likelihood and impact.

8.4   The Committee reflected on key risk 11 and noted the need to consider the wider political landscape when assessing this risk in the future.

8.5   The Committee thanked Risk and Information Governance colleagues for the helpful report.

9.   Audit and Risk Committee Business

9.1   Draft ARC Annual Report to the Board 2022-23

9.1.1   The Committee reviewed the draft ARC Annual Report to the Board and the Committee was content to approve as written subject to the inclusion of reference to:

– ARC member attendance at Audit Committee Chairs Network meetings;
– continuing to build upon the new relationship with Deloitte

Action – ARC Chair will revise the draft ARC Annual Report to the Board 2022-23, for agreement with Committee members offline.

9.1.2   It was further suggested that a gap analysis review of ARC member skills and experience be included in future annual reports to the RoS Board to provide greater transparency.

9.2   Review of ARC Terms of Reference (ToR)

9.2.1   The Committee reviewed the draft ARC ToR and agreed all proposed changes. It was further agreed to include reference to the training and induction of new members, and the ARC Chair and Secretary will liaise with members offline to agree appropriate wording. Once agreed, this will be remitted to the September RoS Board meeting for approval.

Action – ARC Chair and Secretary to liaise with members offline to agree appropriate wording in the ARC ToR around the training and induction of new members.

10.   Outstanding Recommendations

10.1   Outstanding Recommendations Log

10.1.1 The Committee reviewed the outstanding recommendations log and was content to note those marked on track and agree those proposed to close.

10.1.2 The Committee discussed those marked for discussion and agreed as follows:

UID	Report	Recommendation	Agreement
147	Procurement system and processes (purchase to pay)	Knowledge, roles and responsibilities, gap analysis and process documentation	Extend by 1 month to 31 July 2023
148		Changes to Suppliers' base data	Extend by 1 month to 31 July 2023 and remain open until 147 is completed due to interdependency
152		Detective controls on purchase orders	
155	Information security and risk management	Review of IT – Technical risks	• Noted action 1 is partially implemented as is subject to business readiness. • Action 2a – complete • Action 2b on track for 29 Dec 2023
156		Mandatory reading	• Action 1 complete • Actions 2 & 3 extended by 6 months to 29 December to align with action 4

10.2   Data Management, Use and Storage Audit Review Update

10.2.1 The Chief Data Officer joined the meeting and provided an oral overview of the update paper key highlights. All four recommendations have now been reviewed internally and reported to the Accountable Officer, with two new observations arising from this which will be tracked by the Assurance Service in the usual way.

10.2.2 The Committee was content to close all four outstanding recommendations from the log and thanked the Chief Data Officer and all involved for the work done to reach this conclusion.

11.   Executive Management Team (EMT) Structure

11.1   The Keeper of the Registers of Scotland joined the meeting and presented an update on the restructure of the RoS EMT to be implemented during Autumn 2023. ARC members will be invited to meet with new EMT members as part of their induction programme.

11.2   The Committee agreed it is prudent to expand the capacity of the EMT at this time. Succession planning for the Keeper role was discussed, and it was noted that this role is appointed to by Scottish Government.

12.   Items for noting

The Committee noted the following items:

12.1   Finance update
12.2   Performance Reporting
12.3   RoS Board Minute 14/15 March 23
12.4   Q1 Information Assurance and Governance report
12.5   Information Security Assurance Group Proposal
12.6   Data Protection Policy Review
12.7   PPG Forthcoming Matters Tracker
12.8   PPG Annual Report to ARC 2022-23
12.9   Compensation Annual Report 2022-23
12.10 Q4 Employment Law Report
12.11 Enterprise Risk Management Framework
12.12 DIAA Quarterly Bulletin – April 2023

13.   Any other competent business

13.1   No other business was raised.

14.   Items for escalation to RoS Board

14.1   The Committee remitted the Enterprise Risk Management Framework to the RoS Board for noting.

15.   Meeting close

15.1   The meeting closed at 1300hrs

16.   Date of next meeting(s):

Check In meeting (Committee and RoS only)
25th September, 1430hrs
Remote via Teams

BAU meeting:
14th November 2023, 1030hrs
St Vincent Plaza, Glasgow / Teams